NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

September 27, 2013
9:00 a.m. - 11:00 a.m.

Executive Conference Room
1327 N. Riverside Drive
Espanola, NM 87532

AGENDA

CALL TO ORDER: Tim Vigil, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. **Discussion and Review of FY 2013 End of Year Budget**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

B. **Discussion and Review of Investment of District Funds into the Local Short-Term Investment Fund in the State of New Mexico Local Government Investment Pool**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

C. **Minutes from August 23, 2013 Meeting**
Draft Minutes

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Memorandum

To: Finance Committee

From: Pat Lopez, Financial Analyst and Glenda Aragon, Finance Director

Thru: Anthony J. Mortillaro, Executive Director

CC:

Date: September 27, 2013

Re: North Central Regional Transit District FY13 Year-end Financial Summary Report GRT Mid-year projection vs. actual.

Background: Review of the Year-end GRT revenue and expenditures for FY 13 against the mid-year projected revenue and expenditures presented to the Board of Directors on February 1, 2013.

Recommendation: For discussion only.

Attachment: Mid-year financial summary versus actual end of year.

North Central Regional Transit District

FY13 Mid-Year Projections vs. Final FY13 ending outcome

Summary:
The North Central Regional Transit District (NCRTD) has completed its FY13 Final reporting of 12 months/1 year of financial activity. The standard for expenses and revenue is at 100% of the budget for FY13.

The NCRTD anticipated a reduction in projected Gross Receipt Tax (GRT) revenue and moved to offset this reduced revenue with expenditure cuts and the placement of Capital Outlay projects that did not have a federal match on a hold status until the end of the Fiscal year 2013

Financial facts and projections

Revenue:
NCRTD is reporting year-to-date actuals for expenditures and revenues as of June 30, 2013. The District had anticipated a total deficit in revenue of -$218,002 during the mid-year review reporting at the end of December 31, 2012. The year to date year ending actual deficit was -$84,956, as a result the District revenues deficit was $133,046 less than projected at mid-year.

Gross Receipt Tax (GRT): The NCRTD deficit was mainly driven by a decline of GRT revenue generated in Los Alamos County (LAC). The anticipated revenue expected to be received from October's GRT was $88,794. However, a refund granted to the Los Alamos National Laboratory, left NCRTD having to reimburse LA County $65,390.65. The loss of anticipated GRT revenue from previous months led the NCRTD to project a reduction in revenue by 20% for the remainder of the fiscal year. Anticipating a $532,993 deficit from what was budgeted. At year end the LA County deficit was $472,532, a difference of $60,401.

Due to this deficiency in the anticipated revenue, the NCRTD also adjusted the following counties projected GRT revenue conservatively as follows:

- Rio Arriba County – anticipated decrease of 3% or $9,043, actually came in at a higher loss at yearend of $12,801 a difference of $3,758.
- Santa Fe County – anticipated Increase of +6.5% or $260,837, actually came in higher at year end totaling $301,522 an increase of $40,685.
- Taos County – anticipated Increased +5.0% or $19,152, actually came in higher at year end totaling $41,281, an increase of $21,130.

Auction Vehicles/Misc.: NCRTD received $57,574 in proceeds from the sale of auctioned vehicles, Transit Fares, Bank Interest and Miscellaneous Revenue. Total projected revenue was $44,045.

Expenditures:
The NCRTD calculated all the expenditures year- to- date as of December 31, 2012, and closely reviewed all the line items and anticipated spending cuts directly related to Administration, Operations, Non-RTD and Capital accounts. NCRTD closely monitored its expenditures, and administered spending cuts. These spending cuts allowed the District the funds available to offset the loss in GRT revenue.

The breakdown of savings in cuts anticipated vs. actual were as follows:

- Administration anticipated cuts in the amount of $268,098, actual savings was $291,075 generating a higher savings of $22,977.
- Operations anticipated cuts in the amount of $240,716; actual savings $262,687, generating a higher savings of $21,971.
- Non-RTD (paid to City of Santa Fe, Rio Metro—Railrunner and Los Alamos County) anticipated reimbursements in the amount of $123,316 in which the actual was $119,544.
- Capital Outlay anticipated savings of $291,213, in which the actual savings $264,016, generating a savings that was $28,310 less, however, the Board had authorized the movement of capital funds for HVAC towards making up the deficient on a bus purchase.

The total anticipated savings in expenditure cuts were estimated at $676,711 and total Year end actual savings came in at $704,915 a difference of $28,204 more in overall savings.

Overall summary:
The NCRTD plan of action was to conservatively anticipate a short fall in anticipated revenue for the upcoming months in GRT from Los Alamos County anticipated at a -20% in revenue for the remaining 6 months, (January-June 2013) although overall for the entire year it came in at -23% including the reimbursement in October. Rio Arriba County at -2.21%, an increase from Santa Fe County at 8.09% and Taos County increase at 5.69%. The NCRTD anticipated receiving a deficit of -$218,002 and the actual deficit came in at -$84,956, coming in with an overall difference at year-end of $133,046.

The NCRTD budgeted conservatively for GRT revenues and cut expenditures in various line items for the remainder of the year in which our anticipated mid-year projected cuts in savings $676,711, and year to date actual savings came in at $704,915, a difference of $28,204.

Overall the NCRTD has benefited from budgeting revenue conservatively and cutting expenditures for the Year of FY13 with a total surplus of $619,955 in Gross Receipt Tax savings.

Due to additional efforts to secure federal funding for capital projects anticipated to be funded at 100% from GRT, the District was able to generate additional savings. This effort resulted in an additional savings of $232,597. Therefore actual total net savings for FY 2013 resulted in surplus of $852,556.

The previous projected end of year reserve balance was $3,463,144. Actual end of year reserve balance is $4,053,374. Required reserve level by Board policy is $2,332,991 for FY 2014.

North Central Regional Transit District
FY 13 Financial Status Summary

Revenues

	Mid-Year Projections	Year-End Balance	Difference Year-End over Mid-Year
Gross Receipts Tax	(262,047)	(142,530)	119,517
Auctioned Vehicles	41,737	47,547	5,810
Interest	1,256	3,377	2,121
Insurance Proceeds	931	2,191	1,260
Miscellaneous	121	4,459	4,338
Revenue Total	(218,002)	(84,956)	133,046

Expenditures

	Mid-Year Projections	Year-End Balance	Difference
Administration Salaries	96,837	95,553	(1,284)
Administration Benefits	42,534	33,086	(9,448)
Administration Op. Costs	128,726	162,436	33,710
Operations Salaries	141,666	243,179	101,513
Operations Benefits	45,060	22,846	(22,214)
Operations Op. Cost	53,991	3,339	(50,652)
Non RTD	(123,316)	(119,544)	3,772
Capital Outlay	291,213	264,019	(27,194)
Expenditure Total	676,711	704,915	28,204
Total Revenue & Expenditure	458,709	619,959	161,250

Local Share Federal Match Balances

5311/5316 Local Match Balance	-	1,800	1,800
5311 Capital	-	5,797	5,797
5311 Capital for Routing Software	-	225,000	225,000
Total	-	232,597	232,597
NCRTD Total	**458,709**	**852,556**	**393,847**

Memorandum

To: Finance Committee
From: Glenda Aragon, Finance Director
Thru: Anthony J. Mortillaro, Executive Director
Date: September 27, 2013
Re: Investment of District Funds into the Local Short-Term Investment Fund in State of New Mexico Local Government Investment Pool.

Background:

The state of New Mexico's participating government investment fund, known as the New MexiGrow Local Government Investment Pool or LGIP, was established under NMSA 1978, Section 6-10-10.1. The LGIP is a short-term investment fund, consisting of deposits from governmental entities and Indian tribes or pueblos. The authorizing statute offers eligible participating governments a voluntary investment option that is intended to safely generate market returns by utilizing the purchasing power of a large pooled fund.

The LGIP is held in the custody of the State Treasurer, who invests the pooled funds as allowed under state statute with the advice and consent of the State Board of Finance. The fund is managed internally by the State Treasurer's professional portfolio managers. Investment activity and performance are reported monthly to the State Board of Finance and to the State Treasurer's Investment Committee, also known as STIC. STIC is composed of the State Treasurer, the Treasurer's Chief Investment Officer, the director of the State Board of Finance, and two public members form the investment community selected by the Treasurer and the State Board of Finance. The State Treasurer's monthly investment reports are posted regularly on the state Treasurer's Office (STO) website.

Section 6-10-10.1 establishes guidelines applicable to the investment of funds deposited in the LGIP. This statute requires that the portion of the LGIP invested in short-term investments be rated by a nationally recognized statistical rating organization and maintain a rating of AAA, the State Treasurer also immediately submits a plan to the State Board of Finance detailing the steps that will be taken to obtain a AAA or higher rating. The LGIP adheres to all criteria relevant to its rating category and provides to the rating agency any key policy or staff changes.

The District's investment policy which was adopted and incorporated into the Financial Policies is attached hereto. Overall the District's investment strategy is passive. The benchmark for the District's investments is the 90 Day U.S. Treasury Bill or the treasury security that most closely matches the duration of the portfolio. To date the Districts funds have simply been placed in an interest bearing account with Los Alamos National Bank. The funds are collateralized at 100% which exceeds the requirement within the District's policy and state law. The District's investment policy identifies the LGIP described in Section 6-10-10,1 N.M.S.A. maintained by the State of New Mexico as a permitted investment.

Recommendation:

It is recommended that the Finance Subcommittee recommend that the Board of Directors consider passage of a resolution to apply to Local Government Investment Pool (LGIP) for participation, certifying the Finance Director of the NCRTD, through the Executive Director as authorized signatories to conduct transactions in respect to the LGIP.

Attachment:

- New Mexico State Treasurer's Office- New MexiGrow Local Government Investment Pool (LGIP), LGIP Participant Manual
- North Central Regional Transit District-Investment Policy
- Standard & Poor's Pool Profile for NM LGIP-AAA as of March 25, 2013

Volume

1

NEW MEXICO STATE TREASURER'S OFFICE

New MexiGROW Local Government Investment Pool (LGIP)

LGIP Participant Manual

NEW MEXICO STATE TREASURER'S OFFICE - JAMES B. LEWIS, TREASURER

New MexiGROW LGIP

This Manual is intended to summarize current policies of the New Mexico State Treasurer's Office and is not intended to establish any policies. Only policies adopted by the State Treasurer's Office in accordance with statute and the State Treasurer's Investment Policy control the management of the *New MexiGROW* Local Government Investment Pool (*New MexiGROW* LGIP). This Manual is not intended to and does not give rise to any additional rights or remedies and is not a contract. The State Treasurer's Office reserves the right to change, delete or amend any policy or procedure unilaterally and without notice.

New MexiGROW LGIP deposits are not guaranteed or insured by any bank, the state of New Mexico, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency. *New MexiGROW* LGIP deposits involve certain investment risks. Yield and total return may fluctuate and are not guaranteed.

Kirene M. Bargas, New Mexi*GROW* LGIP Bureau Chief
2019 Galisteo Street, Building K
Santa Fe, NM 87505
Phone 505-955-1136 • Fax 505-955-1180

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Chapter 1

LGIP Participant Manual

New MexiGROW LGIP

The state of New Mexico's participating government investment fund, known as the *New MexiGROW* Local Government Investment Pool or the LGIP, is established under NMSA 1978, Section 6-10-10.1. The LGIP is a short-term investment fund, consisting of deposits from governmental entities and Indian tribes or pueblos. The authorizing statute offers eligible participating governments a voluntary investment option that is intended to safely generate market returns by utilizing the purchasing power of a large, pooled fund.

The LGIP is held in the custody of the State Treasurer, who invests the pooled funds as allowed under state statute with the advice and consent of the State Board of Finance. The fund is managed internally by the State Treasurer's professional portfolio managers. Investment activity and performance are reported monthly to the State Board of Finance and to the State Treasurer's Investment Committee, also known as STIC. STIC is composed of the State Treasurer, the Treasurer's Chief Investment Officer, the director of the State Board of Finance, and two public members from the investment community selected by the Treasurer and the State Board of Finance. The State Treasurer's monthly investment reports are posted regularly on the State Treasurer's Office (STO) website at www.stonm.org.

State Treasurer's Investment Authority and Policy

The scope of the State Treasurer's investment authority is defined by the applicable investment statutes and constitutional provisions, principally NMSA 1978, Sections 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44 and 6-14-10.1, as well as Article VIII, Section 4 of the New Mexico Constitution. Statutes specify the particular types of investments that may be made by the State Treasurer and establish certain

prerequisites, limitations and other requirements related to those investments. Moreover, the State Treasurer may further limit or restrict those investments.

Section 6-10-10.1 establishes guidelines applicable to the investment of funds deposited in the LGIP. This statute requires that the portion of the LGIP invested in short-term investments be rated by a nationally recognized statistical rating organization and maintain a rating of AA or higher. If the rating received by the LGIP is lower than AA, the State Treasurer shall immediately submit a plan to the State Board of Finance detailing the steps that will be taken to obtain a AA or higher rating. The LGIP adheres to all criteria relevant to its rating category and provides to the rating agency any key policy or staff changes.

In addition to applicable state statutes, the State Treasurer's Investment Policy governs the investment functions of the State Treasurer. The Investment Policy is approved by the State Board of Finance and sets forth investment guidelines for all STO investments. Pursuant to the Policy, all investments made by the STO adhere to the fundamental principles of safety, liquidity, and return in that order.

The Investment Policy further requires the STO to diversify its investment portfolios. Assets are diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The following investment and diversification limitations are imposed on the LGIP to comply with the Investment Policy and to maintain the fund rating:

- Allowable investments include U.S. Government obligations, commercial paper (with credit ratings of A-1, P-1, F1, or better), corporate bonds (rated A+ or better), asset-backed obligations, repurchase agreements, variable rate notes, New Mexico municipal bonds, and money market funds registered with the Securities and Exchange Commission (SEC).

- Investments in commercial paper, corporate bonds and asset-backed obligations shall not exceed 40 percent of total LGIP assets.

- Investments in commercial paper or corporate bonds of any single issuer shall not exceed 5 percent of the total LGIP portfolio. Investment in U.S. Agency securities issued by any

single issuer shall be limited to 33.33 percent of the total LGIP portfolio.

- Investment in a SEC-registered, AAA-rated money market fund shall not represent more than 5 percent of the total assets of that fund and no more than 25 percent of the LGIP portfolio.

- Investment in repurchase agreements with a single A-1 rated counterparty shall be limited to 25 percent of total pool assets. Flexible repurchase agreements are not allowable investments for the LGIP portfolio.

- The weighted average maturity, or WAM, of the portfolio shall be 60 days or less. Portfolio maturities are laddered to avoid undue concentration of assets in a specific maturity sector and to accommodate anticipated cash flow requirements.

- The portfolio shall maintain a minimum of 50 percent of total assets in A-1+ rated securities and a maximum of 50 percent in A-1 rated securities. Repurchase agreement counterparties must have a A-1 or better rating; money market funds used as investments must be AAA rated; commercial paper investments shall be rated A-1+.

- The State Treasurer's Investment Policy mandates that the Pool be invested to maintain a stable net asset value of $1.00 per share. Should the portfolio experience a fluctuation in net asset value that drops below 0.9975 cents per share, the State Treasurer's Office is required by policy to notify the State Treasurer's Investment Committee.

- The final maturity of fixed-rate investments of the Pool shall not exceed 397 days, and the recorded maturity date of callable investments shall be the stated final maturity rather than the call date.

- The STO is required to procure or develop and maintain a shareholder accounting system for the Pool to account for deposits, withdrawals, and interest distributions. To meet this mandate, the STO has implemented the QED Information System, which is an investment accounting and tracking software application.

- Income is equal to accrued interest, plus or minus realized gains or losses, less an administrative fee. The administrative fee is recognized as revenue to the State General Fund. Section 6-10-10.1 directs the State Treasurer to use the administrative fee for the administration and management of the LGIP subject to appropriation by the state legislature.

Participation in the LGIP

Section 6-10-10.1, NMSA 1978 allows eligible participating governments to make deposits in the LGIP with the approval of their governing bodies. Eligible participants include, but are not limited to, school districts, post-secondary educational institutions, special purpose districts, cities and counties, and Indian tribes and pueblos.

Investment of Pool Funds

The scope of the State Treasurer's investment authority is defined by the applicable investment statutes and constitutional provisions, principally NMSA 1978, Sections 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44 and 6-14-10.1, as well as Article VIII, Section 4 of the New Mexico Constitution. Statutes specify the particular types of investments that may be made by the State Treasurer and establish certain prerequisites, limitations and other requirements related to those investments. Moreover, the State Treasurer may further limit or restrict those investments. Section 6-10-10.1 establishes guidelines applicable to the investment of funds deposited in the LGIP.

Management of Investment of Funds

The State Treasurer's Office Local Government Investment Pool Bureau manages the investments, tracks participant activity, and computes and distributes participant investment earnings. Investment earnings are based upon a participant's account balance and the average term that a deposit is held in the Pool. Professional investment portfolio managers coordinate and execute investment trades utilizing online trading platforms, Bloomberg and TradeWeb in compliance with the State Treasurer's Investment Policy.

Interest on Investment

The Local Government Investment Pool Bureau provides daily an interest rate that estimates the daily return on LGIP deposits along with informational current rates for short-term investments offered by the

U.S. Treasury. The daily rate may be obtained by calling the STO at (505) 955-1171 or visiting the STO website at www.stonm.org. Interest income is distributed monthly via automated clearing house (ACH) transaction or is reinvested no later than the fifth working day of the following month. Monthly income shall be equal to accrued interest, plus or minus realized gains or losses, less an administrative fee. The actual interest rate is a blended yield of the investment holdings determined at the end of the accounting period (month end). Interest is earned on the business day of deposit, once a deposit is verified to have been received into the LGIP bank account and has met all deposit requirements set forth by the LGIP Bureau. Once a withdrawal is processed the amount withdrawn no longer receives interest on said amount on the date of withdrawal.

Net Asset Value

The State Treasurer's Investment Policy mandates that the LGIP be invested to maintain a stable net asset value of $1.00 per share. Should the portfolio experience a fluctuation in net asset value that drops below 0.9975 cents per share, the State Treasurer's Office is required by policy to notify the State Treasurer's Investment Committee.
The LGIP is designed and managed to maintain a net asset value of $1.00 and allows for investment of funds that may be needed by participants at any time.

Separation of Participant Money from Other Public Money in the Investment Pool

Participating governments' invested funds are pooled for investment purposes but are accounted for and reported separately, as required by statute. All interest earned from investment of LGIP assets is distributed to a participant in an amount directly proportionate to their respective amount on deposit in the Pool and the length of time the amount on deposit is invested.

Cost of Participation in the Pool

By law, the STO may charge a fee to participants in the LGIP. A nominal fee is assessed at the end of each month for administrative expenses and services necessary to operate the pool. The fee is assessed based on the average daily balance of the participant balance.

Steps to Become a Participant

An eligible governing body must, by resolution, authorize participation in the LGIP. A copy of the resolution, an application form, and a certificate with signatures of persons authorized to conduct transactions are forwarded to the STO. Upon receipt of the completed documents, STO accepts a deposit into the LGIP. LGIP participant forms are available on the STO website at www.stonm.org.

Before the funds of an eligible governing body may be invested or reinvested in the LGIP, it is the responsibility of the eligible governing body to comply with NMSA 1978, 6-10-36, if applicable, and any other statutes or policies that may apply to the eligible governing body.

Investment of a Minimum Amount

$5,000.00 is the minimum amount needed to participate in the Pool. If special circumstances require investment of smaller amounts, the STO requires a written explanation of the circumstances prior to acceptance of a participant's deposit.

Risk

All investments purchased for the LGIP have a credit rating of A or better to ensure the highest level of safety. All U.S. Government securities are rated AAA and commercial paper qualifying for investment is rated A-1+. The STO is required by law to have overnight repurchase agreements secured at 102 percent by U.S. Treasury and Agency securities. Additionally, the LGIP requires that repurchase counterparties be rated A-1 or better.

New MexiGROW LGIP deposits are not guaranteed or insured by any bank, the State of New Mexico, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency. *New MexiGROW* LGIP deposits involve certain investment risks. Yield and total return may fluctuate and are not guaranteed. Prior to making investment decisions, participants should consider market risk, interest rate risk, and credit risk in determining whether an investment is appropriate.

A detailed description of risk reportable under GASB Statement No. 40 is available to download from the STO website at www.stonm.org, at the "*New MexiGROW* LGIP" tab and the "GASB 40 Disclosure" subtab.

Custodian for *New MexiGROW* LGIP

The state's fiscal agent bank contracts with a third-party custodian to hold all purchased securities along with the required pledged collateral on the overnight repurchase agreements.

Ratings

Section 6-10-10.1 requires the portion of the LGIP invested in short-term investments be rated by a nationally recognized statistical rating organization and maintain a rating of AA or higher. If the rating received by the LGIP is lower than AA, the State Treasurer shall immediately submit a plan to the State Board of Finance detailing the steps that will be taken to obtain a AA or higher rating.

The ongoing rating process involves a review of the STO's internal controls, investment policies and procedures, portfolio inventory, and the fund manager's experience. The *New MexiGROW* LGIP is rated AAAm. The LGIP adheres to all criteria relevant to its rating category and provides to the rating agency any key policy or staff changes.

Independent Auditor

The STO is subject to annual review and audit by an independent auditor and the New Mexico State Auditor. The annual audits for the fiscal years ended June 30, 2006, 2007 and 2008 are downloadable from the STO website at www.stonm.org.

Availability of Participant Funds

When depositing money in excess of $20 million into the LGIP, participants must notify the LGIP bureau of the length of time the deposit will be in the Pool. Participant funds of amounts less than $30 million may be withdrawn within 24 hours. Withdrawal requests in excess of $30 million require 48-hours notice to the STO. Only those persons authorized on a participant's LGIP application shall conduct transactions for a participant's account. All forms associated with participant deposits or withdrawals are available on the STO website at www.stonm.org.

The following procedures must be followed in order for participants to deposit or withdraw funds from the LGIP portfolio.

Notification of the intent to submit a transaction form must be provided to STO via phone, email, or fax.

Contribution and withdrawal forms must be completed, signed by the authorized person, and sent to STO via fax or email.

Participants are responsible for providing accurate banking instructions to the LGIP Bureau. Participants are also responsible for updating account information a minimum of once a year. Participants should also ensure that their contact information is updated as necessary.

STO Contact information:

- LGIP Bureau Fax: (505) 955-1180

- Hannah Chavez, LGIP Accountant
  Phone: (505) 955-1154
  Email: Hannah.chavez@state.nm.us

- Kirene M. Bargas, LGIP Bureau Chief
  Phone: (505) 955-1136
  Email: Kirene.bargas@state.nm.us

Contributions

Once a participant provides the proper documentation to LGIP, the participant must contact their respective financial institution to implement the transaction. When the STO receives funds from the participant's financial institution, a deposit is made into the LGIP bank account. The transaction is then entered into the participant's LGIP account and the funds are available for withdrawal.

Withdrawals

Once a participant provides the proper documentation of a withdrawal to the LGIP Bureau, the request will be reviewed for acceptance by the LGIP Accountant. Upon acceptance, the LGIP Accountant will process the request through the LGIP Financial system.

The LGIP Bureau will transfer funds based on the banking information provided to the LGIP Bureau. All of the following withdrawal guidelines must be followed by LGIP participants:

Withdrawal Guidelines

- Amounts less than $30 million may be withdrawn within 24 hours of notice to the STO;
- Amounts of $30 million to $60 million require 48-hours notice to the STO; and
- Amounts in excess of $60 million require notice of 5 business days to the STO.

Funds are withdrawn from the Pool one business day prior to transfer to maintain the liquidity of the Pool for all participants.

With prior approval by the LGIP Bureau Chief or a designee, participant withdrawals made within the 24-hour limitation will be treated as an emergency withdrawal. Participants will be charged an emergency withdrawal fee to cover the cost of the emergency wire. Emergency withdrawal requests must follow the withdrawal procedure outlined above and must include a letter explaining the emergency. The LGIP Bureau reserves the right to decline any emergency withdrawals.

Stability Protection

Notwithstanding the withdrawal guidelines, the STO reserves the right to limit participant withdrawals if the State Treasurer determines that doing so is required to ensure the stability of the LGIP.

North Central Regional Transit District

Investment Policy

New Mexico State Treasurer's Office

Investment Division Bureau

Glenda Aragon *Finance Manager* **North Central Regional Transit District** 1327 North Riverside Drive Española, NM 87532 Email: glendaa@ncrtd.org **www.ncrtd.org** Office: 505.629.4701 Fax: 505.747.6647 Toll free: 866.206.0754	**Anthony Mortillaro** *Executive Director* **North Central Regional Transit District** 1327 North Riverside Drive Española, NM 87532 Email: anthonym@ncrtd.org **www.ncrtd.org** Office: 505.629.4713 Fax: 505.747.6647 Toll free: 866.206.0754

Daniel Barrone

Chair

Anthony J. Mortillaro

Executive Director

Governmental
Board of Directors

City of Española

City of Santa Fe

Town of Edgewood

County of Rio Arriba

County of Santa Fe

County of Los Alamos

County of Taos

Nambe` Pueblo

Ohkay Owingeh Pueblo

Santa Clara Pueblo

Pueblo of Pojoaque

Pueblo of Tesuque

Pueblo de San Ildefonso

Investment Policy

It is the policy of the NCRTD to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state statutes governing the investment of public funds.

Delegation of Authority

Responsibility for the management of the District's investment portfolio is delegated to the Districts Finance Manager by the Executive Director. The District's Finance Manager will establish and maintain written procedures for the operation of the cash management and investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Manager.

Prudent Person Rule

Investments on behalf of the District will be made in accordance with the "prudent person" rule; i.e. investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Scope of Policy

Unless otherwise noted, this investment policy will apply in its entirety to all monies of the District over which it has direct control as well as those funds that the District is responsible for as custodian and/or trustee.

Investment Objectives

The District seeks to balance three primary objectives for its cash portfolio:

- Maintaining sufficient liquidity to meet financial obligations;
- Earning a market rate of return (subject to permitted investment constraints); and
- Diversifying investments among asset classes to ensure safety of principal.

The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

Performance Standards

The Districts' objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with invest risk constraints and cash flow needs.

The Districts investment strategy is passive. Given this strategy, the Finance Manager shall determine whether market yields are being achieved by comparing the average District portfolio yield to the 90 day U.S. Treasury Bill or the treasury security that most closely matches the duration of the portfolio.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officials who are involved in investing public funds or have the authority to decide how public funds are invested shall disclose to the District Board any material financial interests in financial institutions that conduct business within the Districts jurisdiction, and they shall further disclose the conduct of personal business with, receipt of pecuniary benefit from, or financial interest they have in any entities in which investments are being made.

1. Permitted Investments (any investment not mentioned herein is prohibited)

    i. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by , the United States of America or certificates or receipts established by the United States government or its agencies or instrumentalities representing direct ownership of future interest or principal payments on direction obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States.
    ii. Accounts, certificates of deposit and time deposits with banks and savings banks located in the District's service area provided that the collateral securing the investment permitted by this paragraph, are secured by the FDIC.
    iii. Bonds or securities of the State of New Mexico or of any agency or political subdivision or school district thereof which has a taxable valuation of real property for the last year of at least one million dollars and has not defaulted in the payment of interest or sinking fund obligation or failed to pay any bonds at maturity at any time within five years preceding the date of investment.
    iv. The "short-term investment fund" described in Section 6-10-10.1 N.M.S. A. 1978 or other similar pooled funds maintained by the State of New Mexico for the investment of public funds of the local public bodies of the state.
    v. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection (G) of Section 6-7-8 NMSA 1978.
    vi. Any other investment permitted at the time of the investment by a statue of the State of New Mexico for public entities.

2. Funds available for investment for more than one year, including monies appropriated to permanent and irrevocable trust funds may be invested as provided in Section 6-10-10.G NMSA 1978. The Investment Officer shall conduct a thorough investigation prior to investing in any pool or fund and on a continuing basis once an investment is made. Information gathered will include a written statement of policy and objectives, eligible securities, interest calculation and distribution, securities settlement and safekeeping, handling gains/losses, audit opinions, and fee schedules and statements.

3. Collateralization

New Mexico state law require that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, be secured by pledged collateral of at least 50 percent of the current market value. This collateral will be pledged in the name of the District and held by a third party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the Financial Manager. The institution will issue safekeeping receipts to the District for securities held by a third party. The District will require that at all times; pledged collateral will be equal to, or greater than, 50 percent of the current market value of the Districts' applicable investments.

4. Selection of appropriate Investments

    i. Individual investments are selected to meet anticipated cash flow requirements and provide adequate liquidity. Within this cash flow perspective, the investment manager will select those securities that will best meet the District's overall portfolio strategy.

    ii. Criteria for selecting investments and the order of priority are:

        1. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The objective is to select only those investments that seek to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and market risk.

        2. Liquidity. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds occurs. The objective is to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated within one hundred and eighty (180) days.

        3. Yield. Yield is the potential dollar earnings an investment can provide, also referred to as the rate of return. The objective is to attain

a rate of return that equals or exceeds the yield for the three month treasury bill.

5. Diversification

The District will diversify its use of investment instruments to eliminate nonsystematic risk. Strategic and tactical asset allocations shall be determined and revised periodically. In establishing asset allocations strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single sector or with a single financial institution or in a single maturity range. Maturities selected shall provide for stability of income and reasonable liquidity.

1. Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments.
2. Interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations.

Selection of Brokers/Dealers

The Financial Manager shall develop and maintain a list of banks and securities dealers approved for securities transactions initiated by the district, and it shall be the policy of the District to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The Finance Manager will select broker/dealers on the basis of their expertise in public investing and their ability to provide service to the Districts account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

Approved broker/dealers shall attest in writing that they have received and read this Policy.

Safekeeping and Transaction Settlement

The Financial Manager shall approve one or more financial institutions to provide securities safekeeping services for the District. All investment securities purchased by the District will be held in third-party safekeeping by the District's safekeeping agent. The District's safekeeping agent will be required to furnish the District a list of holdings on at least a monthly basis. The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking, and commercial practices.

Competitive Transactions

Securities purchases and sales will be executed after obtaining at least two competitive bids or offerings whenever feasible. If the District is offered a security for which competitive offerings cannot be obtained, quotations for comparable securities will be documented

STANDARD & POOR'S RATINGS SERVICES

POOL PROFILE

March 25, 2013

New Mexico Local Government Investment Pool

Principal Stability Fund Ratings Definitions

AAAm A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.
'AAAm' is the highest principal stability fund rating assigned by Standard & Poor's.

AAm A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

Am A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories

BBBm A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.

BBm A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

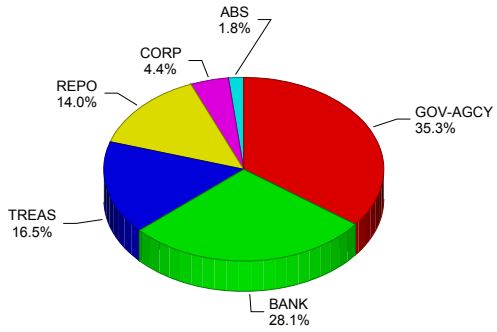
Dm A fund rated 'Dm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

Plus (+) or Minus (-)
The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

About the Pool

Pool Rating	**AAAm**
Pool Type	Stable NAV Government Investment Pool
Investment Adviser	New Mexico State Treasury
Portfolio Manager	Kirene M. Bargas (Since 2007) Vikki Hanges (Since 2011)
Pool Rated Since	August 2006
Distributor	New Mexico State Treasury

Portfolio Composition as of March 25, 2013



GOV-AGCY - Agency and Government; BANK - Bank Deposits; TREAS - Treasury; REPO - Repurchase Agreement; CORP - Corporate; ABS - Asset-backed security

Rationale

Standard & Poor's rates the New Mexico Local Government Investment Pool (LGIP) 'AAAm'. This rating demonstrates that the fund has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. This is achieved through prudent internal controls and investment policies. The rating is based on Standard & Poor's analysis of the pool's credit quality, market price exposure, and management. Standard & Poor's monitors the pool's portfolio holdings on a weekly basis.

Overview

The New Mexico Local Government Investment Pool was established in 1991 as a short-term investment pool. The investment objective of the LGIP is to adhere to three fundamental policies: offer safety, provide liquidity, and generate returns. Participating entities include local governments (cities, counties, townships, villages), school districts, higher education institutions, special districts, and quasi-state agencies.

Management

The State Treasurer's Office (STO) operates the LGIP for the use and benefit of New Mexico's communities. Within the STO, a team of professionals are involved with management of this pool. The individuals dedicated to the LGIP on a daily basis include the LGIP portfolio manager, investment division bureau chief, and the investment transaction analysts. They are supplemented by oversight from the chief investment officer. The LGIP portfolio manager, chief investment officer, and the investment division bureau chief comprise the internal investment advisory team, which analyzes and selects all investment activity. The STO reports monthly to the state treasurer's investment committee, which is comprised of the state treasurer, the chief investment officer, the director of the state board of finance, and two private-sector members from the investment community. In addition, on a monthly basis, STO reports the LGIP investment and cash activity to the state board of finance, which is comprised of the governor, the lieutenant governor, the state treasurer, and four appointed members, and is the oversight board for the treasurer's office.

Portfolio Assets

All investments within the New Mexico Local Government Investment Pool are governed by the State Treasurer's Investment Policy and approved by the New Mexico State Board of Finance, which sets state investment guidelines. Management's intent is to offer public entities an investment option that is safe and liquid, and that will perform competitively with national governmental money-market funds. All investments made by the state treasurer adhere to the three aforementioned fundamental principles. In adhering to these principles and statues, investments for the LGIP consist of an array of highly-rated securities such as U.S. government agency securities, direct issues of commercial paper, repurchase agreements, and other bank deposits. All repurchase agreements will be with highly-rated counterparties and over-collateralized with U.S. government or agency securities.

Standard & Poor's Analyst: Peter Rizzo - 212-438-5059 www.standardandpoors.com

Participants should consider the investment objectives, risks and charges and expenses of the pool before investing. The investment guidelines which can be obtained from your broker-dealer, contain this and other information about the pool and should be read carefully before investing.

Principal Stability Rating Approach and Criteria

A Standard & Poor's principal stability fund rating, also known as a "money market fund rating", is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, Standard & Poor's analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and also its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value.

Generally, when faced with an unanticipated level of redemption requests during periods of high market stress, the manager of any fund may suspend redemptions for up to five business days or meet redemption requests with payments in-kind in lieu of cash. A temporary suspension of redemptions or meeting redemption requests with distributions in-kind does not constitute a failure to maintain stable net asset values. However, higher rated funds are expected to have stronger capacities to pay investor redemptions in cash during times of high market stress because they generally comprise shorter maturity and higher quality investments.

Principal stability fund ratings, or money market fund ratings, are identified by the 'm' suffix (e.g., 'AAAm') to distinguish the principal stability rating from a Standard & Poor's traditional issue or issuer credit rating. A traditional issue or issuer credit rating reflects Standard & Poor's view of a borrower's ability to meet its financial obligations. Principal stability fund ratings are not commentaries on yield levels.

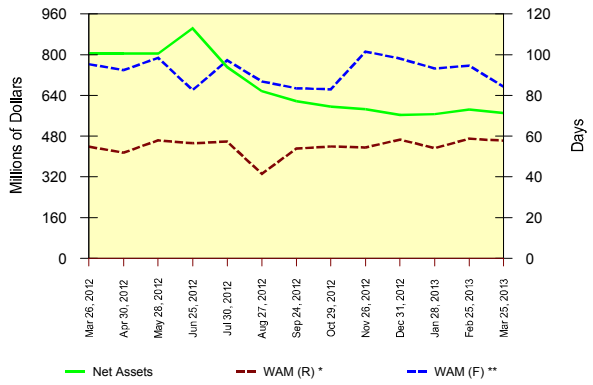
New Mexico Local Government Investment Pool — *AAAm*

Data Bank as of March 25, 2013

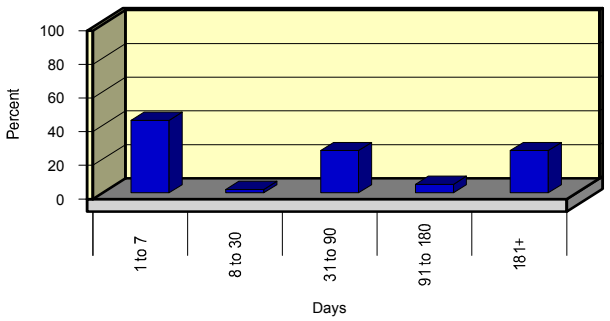
Net Asset Value per Share.....	$0.99982	Net Assets (millions).....	$571.41	Inception Date.....	August 2006
WAM (R) *	58 days	WAM (F) **.....	84 days	7 Day Yield.....	0.10%

* Weighted Average Maturity (Reset) ** Weighted Average Maturity (Final)

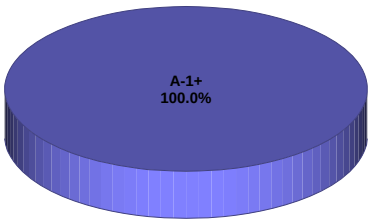
Net Assets, WAM (R) and WAM (F)



Portfolio Maturity Distribution as of March 25, 2013

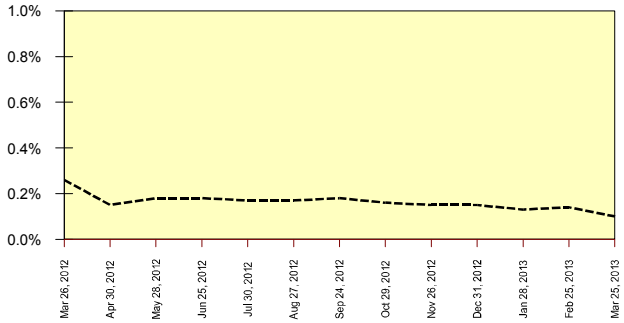


Portfolio Credit Quality as of March 25, 2013 *



*As assessed by Standard & Poor's

Portfolio 7 Day Net-Yield



The yield quoted represents past performance. Past performance does not guarantee future results. Current yield may be lower or higher than the yield quoted.

Pool portfolios are monitored weekly for developments that could cause changes in the ratings. Rating decisions are based on periodic meetings with senior pool executives and public information.

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NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

August 23, 2013
9:00 a.m. - 11:00 a.m.

Executive Conference Room
1327 N. Riverside Drive
Espanola, NM 87532

AGENDA

CALL TO ORDER: Tim Vigil, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. **Hinkle and Landers Audit Entrance Conference**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

B. **Minutes from July 26, 2013 Meeting**
Draft Minutes

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Finance Subcommittee

Meeting August 23, 2013

9:00 a.m.

Board Members Present (Telephonically): *Commissioner Dan Barrone - Taos County, Commissioner Miguel Chavez – Santa Fe County, Tim Vigil – Pueblo of Pojoaque (In Person), Councilor Geoff Rodgers – Los Alamos County (In Person)*

Staff Present: *Anthony Mortillaro – Executive Director, Glenda Aragon – Finance Manager, Pat Lopez – Finance Analyst, Dalene Lucero – Executive Assistant*

Guest(s) Present (Telephonically)*: Farley Vener – Hinkle and Landers, Katelyn Constantin – Hinkle and Landers*

Absent: *Commissioner Barney Trujillo - Rio Arriba County*

Transcribed By: Dalene E. Lucero – Executive Assistant

ROLL CALL

APPROVAL OF AGENDA

A. Hinkle and Landers Audit Entrance Conference

Mr. Vener gave a brief introduction in regards to the Audit Entrance Conference. He stated that he, Katelyn Constantin and Lauren Stover would be working on this years' audit for the District. He went on to state the general objectives of the audit, stating that they wished to provide an overview of the FY13 Audit Process; to establish two-way communication with management and the governing Board of Directors; to define the auditor and management responsibilities under generally accepted auditing standards; to provide an overview of the planned scope and timing of the audit; as well as discuss any questions or changes. Mr. Vener went on to define the auditors responsibilities stating that the auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are fairly, in all material respects, in conformity with generally accepted accounting principles.

Mr. Vener continued stating that the audit is designed to form an opinion about the District's financial statements. He noted that Management is then responsible for providing the financial statements to the auditors and to have internal controls over the financial reporting, which includes the Schedule of Expenditures of Federal Awards (SEFA), as well as to designate individual(s) with the skill set to work with the auditors in evaluating the adequacy and results

of the audit. Mr. Vener referred to slide (7) seven of the presentation in which he continued to briefly go over the Management responsibilities. He went on to describe the three (3) components of a New Mexico Audit: (FS) Financial Statement Audit, (A-133) Single Audit where they audit federal awards, and (OSA) the State Auditor Compliance Audit.

Mr. Vener went on to explain how the test work is conducted. He noted that the scope and timing of the project is a little off on the slide, but the auditors would probably be coming in after Labor Day. Mr. Vener went on to the next slide stating that by state law they are required to look at compliance in regards to the Procurement Code, Per Diem and Mileage Act, Personnel Act and State Personnel Administration, Investment of Public Money, and the Public Employees Retirement Act (PERA), etc. He noted that there were about twelve (12) compliance measures that the auditors will test by. Mr. Vener mentioned that there were new standards this year, one being the Auditing Standards Board Clarity Project which is going to affect the auditors more than the District because it is concentrating more on component units such as landfills or housing authorities. Mr. Vener proceeded to explain the new format of the Auditor's report, stating that it is much easier to follow. He noted that it now includes headings and subheadings, MD&A, the Auditor's opinion letter, etc.

Mr. Vener asked if the District wanted to do an MD&A. He noted that it was considered last year, however it was determined that it would be done this year.

Mr. Mortillaro stated that Ms. Aragon noted in the engagement letter that the District did want the Auditors to prepare the MD&A. He then asked Mr. Vener to describe what the MD&A was.

Councilor Rodgers asked what MD&A stood for.

Mr. Vener stated that it was Management Discussion and Analysis. He noted that it comes from management, and that it consists of 2-3 pages that gets management's opinion on what occured during the year, shows comparisons of the current year to the previous year and gives the analysis of why things changed.

Councilor Rodgers asked if that was something that came primarily from management, or if the audit team looked it the report as well.

Mr. Vener stated that management prepares the document, and then the Auditors review it to ensure it is consistent with their understanding. He noted that an example report was sent to the District last year, and he would be happy to work with anyone who'd like to be involved in the MD&A.

Ms. Aragon noted that the Auditor's assist in preparation of the MD&A. She stated that overall the District signs the document, however, the Auditors assist in the Discussion items.

Mr. Vener stated that he would send Ms. Aragon a template of the MD&A. He also noted that it would be a collaborative effort.

Ms. Aragon mentioned that there was not enough time to produce an MD&A last year, and that the District wants to ensure an MD&A is included in this years' audit.

Mr. Mortillaro noted that he understood there were some changes in GASB in regards to pension obligations. He then asked what Mr. Vener's take was in regards to the new requirements.

Mr. Vener stated that he was aware of the new pension requirements and that it was a bit technical. However, the auditors would be receiving some language to insert in the report if necessary. He also noted that the State Auditor's Office typically gives them guidance on this matter.

Ms. Aragon noted that this rule doesn't go into effect until FY 2015.

Mr. Vener stated that it is going to affect PERA directly.

Ms. Aragon asked if the new GASB required the District to show the PERA liabilities in the financial statements.

Mr. Vener stated that he did not believe it was going to filter down to the District's audit, and that it would be a year or two away.

Ms. Aragon stated that she wanted to ensure that the District gathers the information they need to be in compliance.

Mr. Vener noted that the District would eventually receive the data they needed. However, the only two responsibilities the District has is to be aware and to ensure they are comfortable with the information they receive.

[Commissioner Chavez entered the teleconference.]
Mr. Vener asked if there were any more questions in regards to the prior years' findings, etc. He also noted that he had a list of any new or upcoming items with the District.

Mr. Rodgers asked if Mr. Mortillaro could give a briefing in regards to corrective actions from last year's findings.

Mr. Mortillaro stated he did not have those with him.

Ms. Aragon stated that the District had been working on correcting any findings from last year so they do not come up again this year. She also stated that since she has been employed with the District, she has implemented tighter internal controls and new procedures as well. Ms. Aragon also noted that the communication with the auditors has vastly improved from last year.

Mr. Mortillaro asked Mr. Vener if he wanted the District to speak in regards to any particular findings from last year.

Mr. Vener stated that he did not see anything that the District could not overcome or correct. He noted that the District did receive some non-cash Federal expenditures last year, which does affect the schedule of expenditures, however they do want to see the big picture in regards to that.

Mr. Rodgers asked Mr. Mortillaro if he anticipated any repeat findings.

Mr. Mortillaro responded stating that he did not. He stated that things have improved quite a bit since Ms. Aragon has been with the District, and that she really has kept on top of staff in regards to supporting documentation, etc. He also stated that Mr. Lopez has done a great job as well.

Mr. Lopez mentioned that in FY13 there was a big turnover in Finance, and because he was the only one here some things did fall through the cracks. However, part of those audit findings reflected the vacancies.

Ms. Aragon stated that during that time there were some temps coming in and out of the District, so Mr. Lopez was doing what he could. She also mentioned that is the reason why the audit findings are not that significant in terms of correcting them now that Finance is fully staffed. Ms. Aragon also noted that most of the findings were due to turnover.

Mr. Mortillaro mentioned that the State Inspector General's Office was conducting an audit during that time as well.

Mr. Vener asked if there was anything else that needed to be discussed.

Mr. Lopez noted to Mr. Vener that the District has a separate Procurement Policy, so they do not follow the State Procurement Code. He also noted that District has a separate Travel Policy in which the District does not follow the Per Diem and Mileage Act.

Mr. Mortillaro also added that the District has their own separate Personnel Rules and Regulations in which they do not follow the State Personnel Act.

Mr. Vener stated that this was noted so they do not audit incorrectly.

Commissioner Chavez asked what the timeline was and if the audit would go to the full Board for final discussion and approval.

Mr. Mortillaro stated that once the auditors complete the audit an exit conference will be conducted with the auditors and Finance Subcommittee. He also noted that the exit conference is done concurrently with submittal of the audit to the State Auditor's Office. Mr. Mortillaro mentioned that the audit is usually not released until authorized by the State Auditor's Office which is not until January. He also noted at that time the audit will then be presented by Mr. Vener to the full Board and to the public.

Mr. Vener stated that Mr. Mortillaro has captured everything.

Mr. Mortillaro stated that the staff has been working diligently on preparing for the audit, which has been started much earlier than last year.

Ms. Aragon noted that the auditors have provided the District with a list of items that the staff has been working on, as well as entering items into the auditor's portal/system, and staff is still working on tying down the trial balance prior to handing everything over to the auditors.

Ms. Constantin asked how the trial balance was coming along.

Ms. Aragon stated that it was coming along well.

Mr. Vigil asked if the presentation would go to the full board.

Mr. Barrone said it would not, he stated that the entrance and exit conferences would be held with the finance subcommittee and then the audit would be presented to the board in January.

Mr. Mortillaro stated that as a requirement it is mandatory to hold both an audit entrance and exit conference with the Finance Subcommittee.

Mr. Barrone asked if there was a certain area that needs to be looked at further.

There were none.

Mr. Vigil and Mr. Barrone thanked the auditors and staff for their hard work in this matter.

[Mr. Vener and Ms. Constantin exited the teleconference.]

B. Minutes from July 26, 2013

Mr. Mortillaro asked the committee members to review the minutes of the July 26, 2013 meeting.

Mr. Vigil asked if anyone had any changes or amendments to the meeting minutes.

Commissioner Chavez made a motion to approve the minutes from the July 26, 2013 Finance Subcommittee meeting. Councilor Rodgers seconded the motion and it passed by unanimous voice vote.

MATTERS FROM THE SUBCOMMITEE

Mr. Mortillaro stated that the District was looking to distribute technical memos for the service plan prior to the Board packet for the September 6th Board meeting being sent out. He stated that he was trying to get the Board's input so that there is a more complete document.

Commissioner Barrone asked if Mr. Mortillaro was going to set up a meeting with the Mayor of the Town of Taos in regards to the overlap of routing with the Chili Line and the RTD.

Mr. Mortillaro stated that he thought Commissioner Barrone was going to schedule the meeting.

Commissioner Barrone stated that he was, that he had already spoken with the Mayor and that he was working on a date for the meeting.

Mr. Vigil made a motion to adjourn the meeting at 10:03 a.m. Councilor Rodgers seconded the motion and it passed by unanimous voice vote.

ADJOURN – Next Finance Subcommittee meeting will be held on September 27, 2013 at 9:00 AM.